

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF)
GLENVIEW, INC., OF ANDERSON) CASE NO. 8085
COUNTY)

O R D E R

On December 1, 1980, Glenview, Inc., ("Applicant") filed its application with this Commission for an adjustment of rates. The proposed rates would increase revenues by \$2,940 over normalized test year revenues, an increase of 100%.

The matter was scheduled for hearing at the Commission's offices in Frankfort, Kentucky, on March 17, 1981. All parties of interest were notified and the Division of Consumer Intervention of the Attorney General's Office was the only party formally intervening herein, although a consumer of the Applicant made a statement in opposition to the proposed rate increase and also complained of inadequate service.

COMMENTARY

Glenview, Inc., is a Kentucky Corporation established by and under the laws of the State of Kentucky. Applicant provides sewage service for 35 consumers within the area of Glenview Subdivision in Anderson County, Kentucky.

TEST PERIOD

The twelve-month period ending August 31, 1980, has been used for the test year for the purpose of determining the reasonableness

of the rates and charges proposed herein. Pro forma adjustments have been included where found reasonable and proper for rate-making purposes.

REVENUES AND EXPENSES

The Applicant proposed no pro forma adjustments to operating expenses for the test year.

The Commission has increased operating revenues by \$238 to reflect a normalization adjustment for the test year based on the number of consumers at the end of the test year.

The Commission has also made the following adjustments to the test year operating expenses:

1. The cost of utilities for the test year was in excess of the cost for the calendar year 1980. Therefore, the cost of utilities has been reduced by \$210 to reflect an average cost for the calendar years 1979 and 1980.

2. During 1976, the Applicant constructed an addition to its treatment plant. The additional facilities increased its capacity from 9,000 GPD to 34,000 GPD. The present demand on the system is approximately 14,000 GPD. The Commission is of the opinion that it is unfair to require the present users of the system to pay the total cost of this capacity that is not fully utilized since new users are likely to be served from the plant in the foreseeable future. However, the Commission also recognizes that due to current economic conditions, it may be sometime before the subdivision is developed and the financial burden to the owner is alleviated and in the meantime the plant must be operated in a satisfactory manner. Further, the Commission recognizes

that the owner has chosen to advance funds to the Applicant without interest so the users are relieved of sharing this additional expense. Therefore, the Commission has decided that, in fairness to all parties concerned, the depreciation expense should be reduced by \$546⁽¹⁾ to reflect the equal sharing by the owner and the users of the depreciation expense associated with the excess capacity of the treatment plant.

Based on the aforesaid adjustments, the Applicant's operating statement would appear as follows:

	<u>Actual 8/31/80</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Year</u>
Operating Revenues	\$ 2,702	\$ 238	\$ 2,940
Operating Expenses	7,187	(756)	6,431
Net Income	<u>\$(4,485)</u>	<u>\$ 994</u>	<u>\$(3,491)</u>

The actual loss for the test year was \$4,485. After taking into consideration the pro forma adjustments, the adjusted loss would be reduced to \$3,491.

The Commission is of the opinion the adjusted net income is clearly unjust and unreasonable. The Commission is further of the opinion that the proposed rate should be approved as the annual revenues of \$5,880 (an increase of \$2,940 annually) generated by the proposed rates will be sufficient to pay the Applicant's cash operating expenses.

SUMMARY

The Commission, after consideration of the evidence of record and being fully advised, is of the opinion and so finds that the rates proposed by Applicant and set forth in Appendix A for sewage service attached hereto and made a part hereof are the fair, just and reasonable rates to be charged by Glenview, Inc., on and after the date of this order.

(1) $34,000 \text{ GPD} - 14,000 \text{ GPD} = 20,000 \text{ GPD} \div 34,000 \text{ GPD} = 59\% \times \$1,851 = \$1,092 \div 2 = \$546.$

IT IS THEREFORE ORDERED that the rates set out in Appendix A attached hereto and made a part hereof are approved for service rendered by Glenview, Inc., on and after the date of this Order.

IT IS FURTHER ORDERED that Glenview, Inc., shall file with this Commission, within 30 days from the date of this Order, its revised tariff sheets setting forth the rates approved herein. Further, that a copy of the Applicant's regulations for providing service shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky, this 2nd day of July, 1981.

PUBLIC SERVICE COMMISSION

Martin M. Volk
Chairman

Katherine Randall
Vice Chairman

Don Glavin
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8085 Dated JULY 2, 1981.

The following rates are prescribed for sewage disposal rendered to all customers served by Glenview, Inc., within the area of Glenview Subdivision in Anderson County, Kentucky.

All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

Type of Service Provided

Monthly Charge

Single-Family Residential

\$14.00 per residence